



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ESTILL COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ESTILL COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

The Auditor of Public Accounts has completed the Estill County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$468,957 from the prior fiscal year, resulting in a cash surplus of \$696,225 as of June 30, 2000. Revenues increased by \$1,687,540 from the prior year and disbursements increased by \$1,073,257.

#### **Debt Obligations:**

Lease and bond principal agreements totaled \$713,370 as of June 30, 2000. Future principal and interest payments of \$846,299 are needed to meet these obligations.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

#### **Findings and Questioned Costs**

- The Fiscal Court Should Require Improved Accounting Procedures for Jail Canteen Fund
- Jailer Should Properly Collect and Account for Bail Bond Fees



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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Dwight Arvin, Estill County Judge/Executive  
Members of the Estill County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Estill County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Estill County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Estill County, Kentucky prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Estill County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Dwight Arvin, Estill County Judge/Executive  
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In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2001, on our consideration of Estill County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following areas of noncompliance:

- The Fiscal Court Should Require Improved Accounting Procedures For Jail Canteen Fund
- Jail Telephone Commissions Should Be Properly Reimbursed
- Jailer Should Properly Collect and Account for Bail Bond Fees

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed –  
January 18, 2001



ESTILL COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

**Fiscal Court Members:**

|                 |                        |
|-----------------|------------------------|
| Dwight E. Arvin | County Judge/Executive |
| Kevin Williams  | Magistrate             |
| Samuel Tipton   | Magistrate             |
| Robert Burns    | Magistrate             |

**Other Elected Officials:**

|                 |                                  |
|-----------------|----------------------------------|
| Heather Combs   | County Attorney                  |
| Wayne Abney     | Jailer                           |
| Sherry Fox      | County Clerk                     |
|                 | Circuit Court Clerk              |
| Gary L. Freeman | Sheriff                          |
| Tamara Dunaway  | Property Valuation Administrator |
| John Toler      | Coroner                          |

**Appointed Personnel:**

|                  |                            |
|------------------|----------------------------|
| Laura Ann Rogers | County Treasurer           |
| Laura Ann Rogers | Occupational Tax Collector |

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



ESTILL COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

|  |    |               |            |
|--|----|---------------|------------|
| General Fund:                              |    |               |            |
| Cash                                       | \$ | 42,904        |            |
| Road and Bridge Fund:                      |    |               |            |
| Cash                                       |    | 204,394       |            |
| Jail Fund:                                 |    |               |            |
| Cash                                       |    | 1,361         |            |
| Local Government Economic Assistance Fund: |    |               |            |
| Cash                                       |    | 1,225         |            |
| Payroll Revolving Account                  |    |               |            |
| Cash                                       |    | <u>13,408</u> | \$ 263,292 |

Special Revenue Fund Type

|                   |    |                |         |
|-------------------|----|----------------|---------|
| CSEPP Fund:       |    |                |         |
| Cash              | \$ | 89,491         |         |
| State Grant Fund: |    |                |         |
| Cash              |    | <u>296,610</u> | 386,101 |

Debt Service Fund Type

|                                     |  |  |        |
|-------------------------------------|--|--|--------|
| Public Properties Corporation Fund: |  |  |        |
| Cash                                |  |  | 60,240 |

Other Resources

General Fund Type

|  |  |  |         |
|--|--|--|---------|
| General Fund:  |  |  |         |
| Amounts to be Provided in Future Years for           |  |  |         |
| Capital Lease Principal Payments - Enrichment Center |  |  | 208,000 |
| Road and Bridge Fund:                                |  |  |         |
| Amounts to be Provided in Future Years for           |  |  |         |
| Capital Lease Principal Payments - Equipment         |  |  | 44,000  |

The accompanying notes are an integral part of the financial statements.

ESTILL COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Other Resources (Continued)

General Fund Type (Continued)

Jail Fund:

|   |            |
|---|------------|
| Amounts to be Provided in Future Years for Jail |            |
| Lease Participation Agreement - Principal       | \$ 151,370 |

Debt Service Fund Type

Public Properties Corporation Fund:

|  |         |
|--|---------|
| Amounts to be Provided in Future Years for |         |
| Bond Principal Payments                    | 249,760 |

|                                  |                     |
|----------------------------------|---------------------|
| Total Assets and Other Resources | <u>\$ 1,362,763</u> |
|----------------------------------|---------------------|

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

|                                   |            |
|-----------------------------------|------------|
| Capital Lease Agreement Principal |            |
| Enrichment Center (Note 4A)       | \$ 208,000 |

Road and Bridge Fund:

|                                   |        |
|-----------------------------------|--------|
| Capital Lease Agreement Principal |        |
| Equipment (Note 4B)               | 44,000 |

Jail Fund:

|   |         |
|---|---------|
| Lease Participation Agreement - Principal (Note 5B) | 151,370 |
|---|---------|

Payroll Revolving Account:

|                       |        |
|-----------------------|--------|
| Payroll Taxes Payable | 13,408 |
|-----------------------|--------|

Debt Service Fund Type

Public Properties Corporation Fund:

|                                  |         |
|----------------------------------|---------|
| Bond Principal Payable (Note 5A) | 310,000 |
|----------------------------------|---------|

ESTILL COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2000  
(Continued)

Fund Balances

Reserved:

Special Revenue Fund Type

|                  |           |         |
|------------------|-----------|---------|
| CSEPP Fund       | \$ 89,491 |         |
| State Grant Fund | 296,610   | 386,101 |
|                  | <hr/>     | <hr/>   |

Unreserved:

General Fund Type

|   |           |         |
|---|-----------|---------|
| General Fund                              | \$ 42,904 |         |
| Road and Bridge Fund                      | 204,394   |         |
| Jail Fund                                 | 1,361     |         |
| Local Government Economic Assistance Fund | 1,225     | 249,884 |
|   | <hr/>     | <hr/>   |

|                                     |  |                            |
|-------------------------------------|--|----------------------------|
| Total Liabilities and Fund Balances |  | <u><u>\$ 1,362,763</u></u> |
|-------------------------------------|--|----------------------------|

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

ESTILL COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

|   | <u>General Fund Types</u>      |                     |                            |                   |
|---|--------------------------------|---------------------|----------------------------|-------------------|
|   | Totals<br>(Memorandum<br>Only) | General<br>Fund     | Road and<br>Bridge<br>Fund | Jail Fund         |
| <u>Cash Receipts</u>  |                                |                     |                            |                   |
| Schedule of Operating Revenue   | \$ 4,250,877                   | \$ 1,373,953        | \$ 1,117,473               | \$ 98,097         |
| Transfers In  | 439,333                        | 75,000              | 82,557                     | 215,000           |
| Total Cash Receipts   | <u>\$ 4,690,210</u>            | <u>\$ 1,448,953</u> | <u>\$ 1,200,030</u>        | <u>\$ 313,097</u> |
| <u>Cash Disbursements</u>   |                                |                     |                            |                   |
| Comparative Schedule of Final Budget<br>and Budgeted Expenditures       | \$ 3,668,712                   | \$ 1,184,411        | \$ 852,832                 | \$ 312,057        |
| Transfers Out   | 439,333                        | 290,000             | 141,776                    |                   |
| Bonds:  |                                |                     |                            |                   |
| Principal Paid  | 50,000                         |                     |                            |                   |
| Interest Paid   | 19,540                         |                     |                            |                   |
| Jail Capital Lease Obligation Principal                                 | 5,959                          |                     |                            | 5,959             |
| Lease Principal Paid  | 37,709                         | 17,709              | 20,000                     |                   |
| Total Cash Disbursements  | <u>\$ 4,221,253</u>            | <u>\$ 1,492,120</u> | <u>\$ 1,014,608</u>        | <u>\$ 318,016</u> |
| Excess (Deficiency) of Cash Receipts<br>Over (Under) Cash Disbursements | \$ 468,957                     | \$ (43,167)         | \$ 185,422                 | \$ (4,919)        |
| Cash Balance - July 1, 1999   | 227,268                        | 86,071              | 18,972                     | 6,280             |
| Cash Balance - June 30, 2000  | <u>\$ 696,225</u>              | <u>\$ 42,904</u>    | <u>\$ 204,394</u>          | <u>\$ 1,361</u>   |

The accompanying notes are an integral part of the financial statements.

ESTILL COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2000  
(Continued)

| General<br>Fund<br>Types                              | Special Revenue Fund Types |   |                        | Debt<br>Service<br>Fund<br>Types            |
|---|----------------------------|---|------------------------|---|
| Local<br>Government<br>Economic<br>Assistance<br>Fund | CSEPP<br>Fund              | Community<br>Development<br>Block Grant<br>Fund | State<br>Grant<br>Fund | Public<br>Properties<br>Corporation<br>Fund |
| \$ 45,680   | \$ 117,896                 | \$ 878,578                                      | \$ 616,163             | \$ 3,037                                    |
|   |                            |   |                        | 66,776                                      |
| <u>\$ 45,680</u>                                      | <u>\$ 117,896</u>          | <u>\$ 878,578</u>                               | <u>\$ 616,163</u>      | <u>\$ 69,813</u>                            |
|   |                            |   |                        |   |
| \$ 46,468   | \$ 82,370                  | \$ 878,578                                      | \$ 311,996             | \$  |
|   |                            |   | 7,557                  |   |
|   |                            |   |                        | 50,000                                      |
|   |                            |   |                        | 19,540                                      |
| <u>\$ 46,468</u>                                      | <u>\$ 82,370</u>           | <u>\$ 878,578</u>                               | <u>\$ 319,553</u>      | <u>\$ 69,540</u>                            |
|   |                            |   |                        |   |
| \$ (788)  | \$ 35,526                  | \$  | \$ 296,610             | \$ 273                                      |
| 2,013   | 53,965                     |   |                        | 59,967                                      |
| <u>\$ 1,225</u>                                       | <u>\$ 89,491</u>           | <u>\$</u>                                       | <u>\$ 296,610</u>      | <u>\$ 60,240</u>                            |

ESTILL COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Estill County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Fund as part of the reporting entity.

Additional - Estill County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Estill County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Estill County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Estill County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund (LGEA).

ESTILL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The CSEPP Fund, Community Development Block Grant Fund and State Grant Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Estill County budget is adopted on a modified cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

ESTILL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bonds which named the county as beneficiary/obligee on the bonds.

ESTILL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 4. Kentucky Association of Counties Leasing Trust Agreement

A. Enrichment Center

Estill County Fiscal Court entered into a leasing agreement with the Kentucky Association of Counties Leasing Trust for the purpose of construction of a county Enrichment Center. The amount of the lease principal was \$285,000 plus interest at 5.43 percent, plus administrative fees, credit fees, and fiduciary fees. The principal is paid annually and the interest is paid monthly over a 10-year period. The balance of the lease trust as of June 30, 2000, was \$208,000.

B. Equipment

Estill County entered into a leasing trust agreement with the Kentucky Association of Counties Leasing Trust for the purpose of purchasing equipment. The amount of the lease principal was \$173,000 plus interest at 5.2 percent, plus administrative fees, credit fees, and fiduciary fees. The principal is paid annually and the interest is paid monthly over a 10-year period. The balance of the lease trust as of June 30, 2000, was \$44,000.

Note 5. Long-Term Debt

A. Bonds Outstanding of the Estill County Public Properties Corporation

The county is liable for the following bonds issued by the Estill County Public Properties Corporation dated August 5, 1996, in the amount of \$585,000. Principal is payable annually on August 1, and interest is payable semiannually on February 1 and August 1. Debt service requirements are as follows:

| Year Ended<br>June 30, 2000 | Scheduled<br>Interest | Scheduled<br>Principal |
|-----------------------------|-----------------------|------------------------|
| 2001                        | \$ 17,281             | \$ 55,000              |
| 2002                        | 13,900                | 60,000                 |
| 2003                        | 10,270                | 60,000                 |
| 2004                        | 6,425                 | 65,000                 |
| 2005                        | 2,205                 | 70,000                 |
| Totals                      | <u>\$ 50,081</u>      | <u>\$ 310,000</u>      |

ESTILL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 5. Long-Term Debt (Continued)

The Kentucky Local Correctional Facilities Construction Authority (KLCFCA), an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issued revenue bonds in the amount of \$206,362 for the purpose of construction and reconstruction of the jail facility in Estill County. The Estill County Fiscal Court subsequently entered into a lease and participation agreement with the KLCFCA for \$206,362 principal plus interest on the issue. Principal outstanding as of June 30, 2000 totals \$151,370. Debt service requirements are as follows:

| Year Ended<br>June 30, 2000 | Scheduled<br>Interest | Scheduled<br>Principal |
|-----------------------------|-----------------------|------------------------|
| 2001                        | \$ 9,397              | \$ 6,336               |
| 2002                        | 8,983                 | 6,738                  |
| 2003                        | 8,542                 | 7,165                  |
| 2004                        | 8,073                 | 7,620                  |
| 2005                        | 7,832                 | 8,103                  |
| 2006-2015                   | 40,021                | 115,408                |
| Totals                      | \$ 82,848             | \$ 151,370             |

Note 6. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

| Description     | Annual<br>Payment | Term of<br>Agreement | Ending<br>Date | Balance<br>06/30/00 |
|-----------------|-------------------|----------------------|----------------|---------------------|
| Copier          | \$ 732            | 3 Years              | 11/1/2000      | \$ 732              |
| Fax             | \$ 155            | 3 Years              | 10/1/2000      | \$ 155              |
| Dump Truck      | \$ 21,813         | 4 Years              | 11/1/2003      | \$ 65,439           |
| Sheriff Cruiser | \$ 5,567          | 4 Years              | 11/1/2003      | \$ 16,701           |

Note 7. Jail Canteen Account

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the Jailer to sell snacks, sodas and other items to inmates. The profits generated from the sale of these items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the Jailer to maintain accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable Jail Canteen operations.



ESTILL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 7. Jail Canteen Account (Continued)

During the Fiscal Year Ending June 30, 2000, the Estill County Jail Canteen received \$1,071 and expended \$1,195. The Jail Canteen reported June 30 ending balances of \$1,158 and of \$1,034 for 1999 and 2000 respectively.

The 2000 Jail Canteen operations do not fully comply with KRS 441.135. Specific deficiencies of the Canteen operation are noted within the Findings and Questioned Cost Section of this audit.

Note 8. Insurance

For the fiscal year ended June 30, 2000, Estill County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



ESTILL COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

| <u>Budgeted Funds</u>  | <u>Budgeted<br/>Operating<br/>Revenue</u> | <u>Actual<br/>Operating<br/>Revenue</u> | <u>Over<br/>(Under)<br/>Budget</u> |
|--|---|---|------------------------------------|
| <u>General Fund Type</u>   |   |   |                                    |
| General Fund   | \$ 1,222,886                              | \$ 1,373,953                            | \$ 151,067                         |
| Road and Bridge Fund   | 1,160,976                                 | 1,117,473                               | (43,503)                           |
| Jail Fund  | 326,375                                   | 98,097                                  | (228,278)                          |
| Local Government Economic Assistance Fund  | 48,810                                    | 45,680                                  | (3,130)                            |
| <u>Special Revenue Fund Type</u>   |   |   |                                    |
| CSEPP Fund   | 117,798                                   | 117,896                                 | 98                                 |
| Community Development Block Grant Fund   | 985,000                                   | 878,578                                 | (106,422)                          |
| State Grant Fund   | <u>625,609</u>                            | <u>616,162</u>                          | <u>(9,447)</u>                     |
| Totals   | <u>\$ 4,487,454</u>                       | <u>\$ 4,247,839</u>                     | <u>\$ (239,615)</u>                |
| <u>Reconciliation</u>  |   |   |                                    |
| Total Budgeted Operating Revenue Above   |   |   | \$ 4,487,454                       |
| Add: Budgeted Prior Year Surplus   |   |   | 167,301                            |
| Less: Other Financing Uses   |   |   | <u>(113,859)</u>                   |
| Total Operating Budget Per Comparative Schedule<br>Of Final Budget and Budgeted Expenditures |   |   | <u>\$ 4,540,896</u>                |

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SCHEDULE OF OPERATING REVENUE





ESTILL COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

| <u>GOVERNMENTAL</u>        |                                |                      |                                 |                           |
|----------------------------|--------------------------------|----------------------|---------------------------------|---------------------------|
| <u>FUND TYPES</u>          |                                |                      |                                 |                           |
|                            | Totals<br>(Memorandum<br>Only) | General<br>Fund Type | Special<br>Revenue<br>Fund Type | Debt Service<br>Fund Type |
| <hr/>                      |                                |                      |                                 |                           |
| REVENUE:                   |                                |                      |                                 |                           |
| Taxes                      | \$ 767,052                     | \$ 767,052           | \$                              | \$                        |
| In Lieu Tax Payments       | 4,053                          | 4,053                |                                 |                           |
| Excess Fees                | 32,562                         | 32,562               |                                 |                           |
| Intergovernmental Revenues | 2,979,286                      | 1,366,650            | 1,612,636                       |                           |
| Charges for Services       | 340,099                        | 340,099              |                                 |                           |
| Miscellaneous Revenues     | 119,793                        | 119,793              |                                 |                           |
| Interest Earned            | 8,032                          | 4,995                |                                 | 3,037                     |
|                            | <hr/>                          | <hr/>                | <hr/>                           | <hr/>                     |
| Total Operating Revenue    | <u>\$ 4,250,877</u>            | <u>\$ 2,635,204</u>  | <u>\$ 1,612,636</u>             | <u>\$ 3,037</u>           |

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



ESTILL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

| Expenditure Categories                             | GENERAL FUND TYPE   |                          |                           |
|--|---------------------|--------------------------|---------------------------|
|  | Final<br>Budget     | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
| General Government                                 | \$ 542,808          | \$ 460,042               | \$ 82,766                 |
| Protection to Persons and Property                 | 589,822             | 562,353                  | 27,469                    |
| General Health and Sanitation                      | 52,506              | 50,969                   | 1,537                     |
| Social Services                                    | 39,770              | 36,209                   | 3,561                     |
| Roads  | 761,905             | 747,389                  | 14,516                    |
| Debt Service                                       | 57,676              | 56,573                   | 1,103                     |
| Capital Projects                                   | 266,608             | 93,757                   | 172,851                   |
| Administration                                     | 447,430             | 388,476                  | 58,954                    |
| Total Operating Budget - All General<br>Fund Types | \$ 2,758,525        | \$ 2,395,768             | \$ 362,757                |
| Other Financing Uses:                              |                     |                          |                           |
| Kentucky Association of Counties                   |                     |                          |                           |
| Leasing Trust Agreement-                           |                     |                          |                           |
| Principal  | 17,900              | 17,709                   | 191                       |
| Principal  | 20,000              | 20,000                   |                           |
| Transfers to Public Properties                     |                     |                          |                           |
| Corporation Fund                                   |                     |                          |                           |
| Principal  | 50,000              | 50,000                   |                           |
| Interest   | 20,000              | 16,776                   | 3,224                     |
| Jail Capital Lease Obligation                      | 5,959               | 5,959                    |                           |
| TOTAL BUDGET - ALL GENERAL<br>FUND TYPES           | <u>\$ 2,872,384</u> | <u>\$ 2,506,212</u>      | <u>\$ 366,172</u>         |

Estill County  
 Comparative Schedule Of Final Budget and Budgeted Expenditures  
 Fiscal Year Ended June 30, 2000  
 (Continued)

| Expenditure Categories                              | SPECIAL REVENUE FUND TYPE  |                            |                           |
|---|----------------------------|----------------------------|---------------------------|
|   | Final<br>Budget            | Budgeted<br>Expenditures   | Under<br>(Over)<br>Budget |
| Protection to Persons and Property                  | \$ 182,060                 | \$ 83,954                  | \$ 98,106                 |
| Roads   | 9,632                      | 2,074                      | 7,558                     |
| Capital Projects                                    | 1,581,609                  | 1,178,578                  | 403,031                   |
| Administration                                      | 9,070                      | 8,338                      | 732                       |
| <b>TOTAL BUDGET - SPECIAL REVENUE<br/>FUND TYPE</b> | <u><u>\$ 1,782,371</u></u> | <u><u>\$ 1,272,944</u></u> | <u><u>\$ 509,427</u></u>  |

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Dwight Arvin, Estill County Judge/Executive  
Members of the Estill County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Estill County Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated January 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Estill County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Estill County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 18, 2001

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Dwight Arvin, Estill County Judge/Executive  
Members of the Estill County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Estill County Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. Estill County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Estill County's management. Our responsibility is to express an opinion on Estill County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Estill County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Estill County's compliance with those requirements.

In our opinion, Estill County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Report On Compliance With Requirements  
Applicable To Each Major Program And Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Estill County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Estill County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed –  
January 18, 2001

## FINDINGS AND QUESTIONED COSTS





ESTILL COUNTY  
FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2000

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Estill County.
2. No reportable condition relating to the audit of the financial statements is reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Estill County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award programs for Estill County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Estill County reported in Part C of this Schedule.
7. The program tested as a major program was: Community Development Block Grant - CFDA #14.228
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Estill County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

The Fiscal Court Should Require Improved Accounting Procedures For Jail Canteen

Our audit revealed that required financial reports and accounting records are not being maintained for the Jail Canteen. Specifically noted was the absence of receipt and disbursement journals, daily check-out sheets, timely bank deposits, bank reconciliations, financial statements, and adequate supporting documentation for expenditures. KRS 441.135 states, "The jailer may maintain a canteen fund for the benefit of prisoners lodged in the jail and may assign such jail employees and prisoners to operate a canteen as are necessary for efficient operation. All profits from the canteen shall be used for the benefit or recreation of the prisoners. The jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account." KRS 67.080 gives the fiscal court the authority to "... cause correct accounts and records to be kept of all receipt and disbursements of the public funds of the county." We recommend the fiscal court require the jailer to maintain complete and accurate records of the financial activity of the Jail Canteen and prepare and submit the required financial reports. We also recommend that Jail Canteen expenditures be supported by adequate documentation and be exclusively for the benefit or recreation of the prisoners.

*County Judge's Response:*

*Advise Jailer of duties.*

*Jailer's Response:*

*We can show checks from commissary funds, cancelled checks/receipts for recreation for inmates.*

ESTILL COUNTY  
FINDINGS AND QUESTIONED COSTS  
(Continued)

REPORTABLE CONDITIONS (Continued)

Jail Telephone Commissions Should Be Properly Reimbursed

In the prior year audit report, it was noted that Jail Telephone Commissions were not accounted for properly during fiscal year's 1998 and 1999. While Jail Telephone Commissions appear to have been properly accounted for in the current fiscal year, amounts totaling \$ 2,984 for fiscal years 1998 and 1999 have not been reimbursed from the personal funds of the Jailer to the county's jail fund. KRS 64.820 states, "the Fiscal Court shall collect any amount due the county from county officials as determined by the audit . . ." We recommend that the fiscal court, together with the County Attorney, attempt to collect these funds in a timely manner, as required by KRS 64.820

*County Judge's Response:*

*Has been advised of the reimbursement several times.*

*Jailer's Response:*

*As I stated before the telephone commissions always went into the commissary fund until this audit.*

NONCOMPLIANCES

Jailer Should Properly Collect and Account for Bail Bond Fees

During the audit period, the Jailer collected 236 bonds; however, no bail bond fees were remitted to the County Treasurer for deposit into the county's jail fund. KRS 431.5305 states, "With the approval of the fiscal court of the county in which the prisoner is incarcerated, the Jailer may prepare or accept a bail bond pursuant to KRS 30A.060(3)." In this case, he shall collect a fee of five dollars from the defendant. The Jailer shall furnish the defendant with a written receipt for the fee. By the tenth day of each month, the Jailer shall:

- Report the previous month's bonding fees to the county treasurer; and
- Submit the previous month's bonding fees to the county treasurer for inclusion in the jail fund.

This results in \$1,180 of bail bond fees, which are unaccounted for and were not deposited into the county's jail fund. Bail bonds fees are county funds that should be remitted to the County Treasurer for deposit into the county's Jail Fund. In the future, we recommend that all bail bond fees be collected by the Jailer and remitted to the County Treasurer for deposit in the county's Jail Fund.

*County Judge's Response:*

*Prepared packet forms and submitted to Jailer for monthly bond fees.*

*Jailer's Response:*

*Bond fees are now being collected - receipts given and will be deposited to the county treasurer with a receipt from her office.*

ESTILL COUNTY  
FINDINGS AND QUESTIONED COSTS  
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

None.

D. PRIOR YEAR FINDINGS

1. The Fiscal Court Should Require Improved Accounting Procedures For Jail Canteen
2. Jailer Should Properly Collect and Account for Bail Bond Fees

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



ESTILL COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

| Federal Grantor<br>Program Title<br><u>Grant Name (CFDA #)</u>  | <u>Pass-Through<br/>Grantor's Number</u> | <u>Expenditures</u>      |
|---|--|--------------------------|
| <u>U.S. Department of Housing and<br/>Urban Development</u>   |  |                          |
| Passed-Through State Department<br>of Local Government:   |  |                          |
| Community Development Block Grants -<br>Estill County Rural Water<br>Expansion Project<br>(CFDA #14.228 ) | B-97-DC-21-<br>0001 (016)                | \$ 878,578               |
| HUD Disaster Recovery Initiative<br>Program - March 1997 Flood<br>CFDA #18.xxxx)                          | Not Available                            | <u>9,632</u>             |
| Total U.S. Department of Housing and<br>Urban Development   |  | <u>\$ 888,210</u>        |
| <u>U.S. Federal Emergency Management Agency</u>   |  |                          |
| Passed-Through State Department<br>of Military Affairs:   |  |                          |
| Chemical Stockpile Emergency<br>Preparedness Program  | Not Available                            | <u>\$ 82,371</u>         |
| Total Cash Expenditures of Federal Awards   |  | <u><u>\$ 970,581</u></u> |

ESTILL COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community of economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - Estill County provided federal awards to subrecipient as follows:

| <u>Subrecipient</u>   | <u>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grant Amount</u> |
|---|------------------------|--------------------------------------|
| Community Development Block Grant-<br>Estill County Rural Water Expansion Project | 14.228                 | \$ 878,578                           |
| HUD Disaster Recovery Initiative Program-<br>March 1997 Flood                     | 18.xxx                 | 2,075                                |
|   |                        | <hr/>                                |
| Total Provided to Subrecipients   |                        | <u><u>\$ 880,653</u></u>             |



CERTIFICATION OF COMPLIANCE – LOCAL  
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

ESTILL COUNTY FISCAL COURT

June 30, 2000



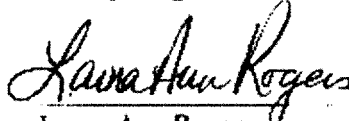
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
ESTILL COUNTY FISCAL COURT

June 30, 2000

The Estill County Fiscal Court hereby certifies that assistance received from Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Dwight E. Arvin  
County Judge/Executive



Laura Ann Rogers  
County Treasurer